Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 248 (Substitute S-1 as reported)
Sponsor: Senator Jim Runestad
Committee: Finance

## CONTENT

The bill would add Chapter 18 to the Income Tax Act to do the following:

-- Require partnerships and partners to report final Federal adjustments arising from a partnership level audit or an administrative adjustment request and to make payments as required.
-- Specify that with respect to actions specified under the bill, the State partnership representative for the reviewed year would have the sole authority to act on behalf of the partnership.
-- Allow the Department of Treasury to establish reasonable qualifications and procedures for designating a person, other than the Federal representative, to be the State representative.
-- Prescribe the method for reporting final Federal adjustments.
-- Prescribe the procedures for an audited partnership that chose to make an election and pay the applicable taxes under Chapter 18.
-- Specify that if a taxpayer filed a Federal adjustments report or an amended return within the time period specified, the Department could not assess additional tax, interest, and penalties.
-- Allow a taxpayer that expected to owe additional tax as a result of a partnership level audit to make payments before the report due date.
-- Allow the Department to promulgate rules to implement Chapter 18.

The bill also would amend the Act to specify that requirements to file an amended return would not apply to the reporting of a final Federal adjustment arising from a partnership level audit or an administrative adjustment request required to be reported under proposed Chapter 18.

The bill states that it is intended to be retroactive and apply to all tax years that begin on and after January 1, 2018.

MCL 206.325 et al. Legislative Analyst: Christian Schmidt

## FISCAL IMPACT

The bill would have a negative fiscal impact on the Department of Treasury, a negligible fiscal impact on State revenue, and no fiscal impact on local units of government. The Department of Treasury would experience initial costs to create new tax filing forms, information technology costs, and costs for the staff training. These costs could be greater than current appropriations. After implementation, the bill likely would not have significant ongoing costs or savings for processing Federal adjustments for partnerships. Savings from a reduction in forms needed to adjust individual tax returns involved in partnerships likely would be spent on processing the joint adjustment forms.

It is unlikely that there would be an impact on State revenue beyond possible rounding differences from filling adjustments jointly as a partnership instead of filling individuals tax return adjustments.

Date Completed: 4-13-21

Fiscal Analyst: Cory Savino
David Zin